

CITY OF HARTFORD, CONNECTICUT

FEDERAL AND STATE FINANCIAL
AND COMPLIANCE REPORTS
Year Ended June 30, 2011

CITY OF HARTFORD, CONNECTICUT

FEDERAL AND STATE FINANCIAL AND COMPLIANCE REPORTS

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Honorable Mayor and Members
of the Court of Common Council
City of Hartford, Connecticut

Compliance: We have audited the City of Hartford, Connecticut's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City of Hartford, Connecticut's major federal programs for the year ended June 30, 2011. The City of Hartford, Connecticut's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of the City of Hartford, Connecticut's management. Our responsibility is to express an opinion on the City of Hartford, Connecticut's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Hartford, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Hartford, Connecticut's compliance with those requirements.

In our opinion, the City of Hartford, Connecticut complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance: Management of the City of Hartford, Connecticut is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Hartford, Connecticut's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Hartford, Connecticut's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

Schedule of Expenditures of Federal Awards: We have audited the basic financial statements of the governmental activities, the business-type activities, the discretely component unit, each major fund, and the aggregate remaining fund information of the City of Hartford, Connecticut as of and for the year ended June 30, 2011, and have issued our report thereon dated January 3 2012. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Hartford, Connecticut's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the management, the Mayor and Members of the Court of Common Council, the Board of Education and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

New Haven, Connecticut
January 3, 2012

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

Federal Grantor Pass-Through Grantor Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through the State of Connecticut			
Department of Administrative Services:			
WIC Farmer's Market Nutrition Program	10.572	12060-DAG42710-20736	\$ 3,426
Passed through the State of Connecticut			
Department of Education:			
Child Nutrition Cluster:			
Food Donation - Non-cash	10.555	N/A	454,376
School Breakfast Program	10.553	12060-SDE64370-20508	1,879,126
National School Lunch Program	10.555	12060-SDE64370-20560	7,705,828
Summer Lunch Program	10.559	12060-SDE64370-20540	242,565
Summer Food Service Program for Children	10.559	12060-SDE64370-20540	63,643
Total Child Nutrition Cluster			<u>10,345,538</u>
Child and Adult Care Food Program	10.558	12060-SDE64370-20544	28,536
Child and Adult Care Food Program	10.558	12060-SDE64370-20518	<u>102,326</u>
Fresh Fruit and Vegetable Program	10.582	12060-SDE64370-22051	<u>288,917</u>
Passed through the State of Connecticut			
Department of Public Health:			
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	12060-DPH48872-20892	332,154
Special Supplemental Nutrition Program for Women, Infants and Children	10.557	12060-DPH48872-20892	848,450
WIC Food Benefits 2011-Non cash	10.557	Non-contract	5,510,988
			<u>6,691,592</u>
Total U.S. Department of Agriculture			<u>17,460,335</u>
U.S. Department of Education			
Direct Programs:			
Smaller Learning Communities	84.215L	N/A	399,920
Choosing to Succeed	84.360A	S360A1000068	238,711
			<u>638,631</u>
Passed through the State of Connecticut			
Department of Education:			
Title I Cluster:			
Title I Programs - Local Educational Agencies	84.010A	12060-SDE64370-20679	18,272,888
ARRA Title I Improving Basic Programs	84.389A	12060-SDE64370-29010	4,934,765
ARRA Title I Part A, School Improvement, ARRA-1003(a)	84.389A	12060-SDE64000-20679	412,591
ARRA Title I Part A, School Improvement, ARRA	84.389A	12060-SDE64000-20679	102,972
Total Title I Cluster			<u>23,723,216</u>
Carl Perkins Vocational and Technical Education - Basic Grants to State	84.048A	12060-SDE64370-20742	<u>669,219</u>

(Continued)

N/A = Not Available
See Notes to Schedule.

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
For the Year Ended June 30, 2011

Federal Grantor Pass-Through Grantor Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Federal Expenditures
Special Education Cluster:			
IDEA, Part B Section 619	84.173A	12060-SDE64370-20983	232,098
IDEA, Part B Section 611	84.027A	12060-SDE64370-20977	6,698,555
ARRA IDEA, Part B Section 611	84.391A	12060-SDE64370-29011	1,363,890
ARRA IDEA, Part B Section 619	84.392A	12060-SDE64370-29012	110,394
Total Special Education Cluster			<u>8,404,937</u>
ARRA School Improvement Grant	84.377	12060-SDE64370-29064	1,116,485
Title IV - Drug-Free Schools and Communities - State Grants	84.186A	12060-SDE64370-20873	59,302
Title III, Part A - English Language	84.365A	12060-SDE64370-20868	444,668
Education of Homeless Children and Youth	84.196	12060-SDE64370-20770	41,437
Title II, Improving Teacher Quality	84.367A	12060-SDE64370-20858	3,231,358
Adult Education	84.002	12060-SDE64370-20784	148,175
State Fiscal Stabilization Cluster:			
ARRA - Stabilization Ed. Grants	84.394A	12060-SDE64370-29054	<u>26,817,436</u>
Total U.S. Department of Education			<u>65,294,864</u>
U.S. Department of Health and Human Services			
Direct Programs:			
HIV Emergency Relief Project Grants	93.914	N/A	24,992
Ryan White Part A 3/10-2/11	93.914	N/A	3,052,519
Ryan White Part A	93.914	N/A	1,155,479
Healthy Hartford Campaign Account	OS9365	HHSP233200900522P	1,344
Metro-Hartford HIV Prevention Coalition	93.243	N/A	136,464
Teen Pregnancy & STD/HIV Prevention	93.297	N/A	265,149
			<u>4,635,947</u>
Passed through the State of Connecticut			
Department of Public Health:			
H1N1 Phase 1 Grant - Public Health Emergency Readiness	93.069	SID22350 LOG2010-1077	10,863
H1N1 Phase 1 Grant - Public Health Emergency Readiness	93.069	LOG2011-1077-1/PHER	56,026
Public Health Preparedness	93.069	SID22333 LOG2010-1077	1,472
Public Health Preparedness	93.069	SID22333 LOG2011-1077/PHP	66,303
Vaccines - Non Cash	93.268	NON-CONTRACT	97,572
Immunization Action Plan	93.268	SID20911/10020 LOG2009-0199	67,022
Immunization Action Plan	93.268	SID20911/10020 LOG2009-0199	53,602
Ryan White Careware - DPH	93.917	12060-DPH48854-20985	7,000
Federal Healthy Start	93.926	12060-DPH48831-22348	3,547
Federal Healthy Start	93.926	12060-DPH48831-22348	221,149
Sexually Transmitted Diseases	93.940	12060-DPH48665-20920	66,286
STD Surveillance	93.977	12060-DPH48660-20920	20,000
School-Based Health Clinics	93.994	DPH LOG 2011-0112	125,000
Health Block Grant - LHD Comprehensive Cancer Planning	93.991	VC6000020253	31,336
			<u>827,178</u>

(Continued)

N/A = Not Available
See Notes to Schedule.

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
For the Year Ended June 30, 2011

Federal Grantor Pass-Through Grantor Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Federal Expenditures
Passed through the Massachusetts Department of Public Health:			
Center for Disease Control Grant	93.991	VC6000202053	18,450
Total U.S. Department of Health and Human Services			<u>5,481,575</u>
U.S. Department of Homeland Security			
Passed through the State of Connecticut Department of Emergency Management and Homeland Security:			
Shelter Generator Grant	97.067	12060-EHS99530-21877	253,552
State Homeland Security SHS	97.073	12060-EHS99530-21877	45,000
			<u>298,552</u>
FEMA Passed through the United Way:			
Emergency Shelter McKinney-Utility	97.024	N/A	15,334
Total U.S. Department of Homeland Security			<u>313,886</u>
U.S. Department of Housing and Urban Development			
Direct Programs:			
Lead Hazard Reduction Demonstration	14.905	N/A	6,604
Emergency Shelter Grants Program (ESG)	14.231	N/A	170,079
Home Investment Partnership Program	14.239	N/A	1,485,457
Housing Opportunities for Persons with AIDS (HOPWA)	14.241	N/A	1,153,422
Section 8 Housing Choice Vouchers	14.871	N/A	46,694,413
ARRA Homeless Prevention & Rapid Re-Housing Program	14.257	N/A	282,184
			<u>49,792,159</u>
CDBG - Entitlement Cluster:			
Community Development Block Grant/Entitlement	14.218	N/A	4,436,480
HUD Section 108 Loan and Grant (Hartford Hilton)	14.218	B-09-MC-09-000	7,000,000
ARRA CDBG Recovery Program (CDBG-R) B-09-MY-09-0006	14.253	N/A	589,300
Total CDBG - Entitlement Cluster			<u>12,025,780</u>
U.S. Department of Housing and Urban Development			
Passed through the State of Connecticut Department of Economic Development:			
Neighborhood Stabilization-Acquisition	14.256	N/A	1,065,295
Neighborhood Stabilization-Acquisition	14.256	N/A	39,794
			<u>1,105,089</u>
Total U.S. Department of Housing and Urban Development			<u>62,923,028</u>

(Continued)

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, Continued
For the Year Ended June 30, 2011

Federal Grantor Pass-Through Grantor Program or Cluster Title	Catalog of Federal Domestic Assistance Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Energy			
Direct Programs:			
ARRA EECBG Single Stream Recycling	81.128	N/A	<u>24,900</u>
U.S. Department of Environmental Protection			
Direct Programs:			
2007 Targeted Grant to Reduce Childhood Lead Poison	66.716	EPA-R9-CED-07-001	7,952
Brownfields Assessment and Cleanup Cooperative Agreements	66.818	PRG-BF, DOC ID96135301	<u>26,371</u>
			<u>34,323</u>
U.S. Department of Justice			
Direct Programs:			
ARRA Cops Hiring Recovery Program	16.804	N/A	1,557,616
OJJDP Mentoring	16.541	N/A	178,192
ARRA JAG Grant	16.710	N/A	920
FBI Safe Streets	16.595	N/A	71,500
Hartford Resident Office DEA	16.595	N/A	25,809
Weed and Seed	16.595	N/A	74,288
JAG Grant	16.738	N/A	70,817
JAG Grant	16.738	N/A	25,800
Street Smart to Bus Smarts OJJDP	N/A	NA	15,000
Hartford Police Sports and Mentoring Program 2010	16.540	N/A	7,937
PSN ANTI GANG	16.540	N/A	40,000
FY'08 Buffer Zone Protection	97.078	N/A	194,841
Truancey R. Program Earmark Grt.	16.541	N/A	<u>145,137</u>
			<u>2,407,857</u>
Passed through the State Department of Public Safety:			
ARRA - Drug Task Force	16.xxx	N/A	<u>18,000</u>
Total U.S. Department of Justice			<u>2,425,857</u>
U.S. Department of Social Service			
Passed through the State of Connecticut			
Department of Social Services			
SSBG Case Management-Emergency Shelter	14.231	12060-DOTSS60783-20701	<u>5,742</u>
			<u>5,742</u>
U.S. Department of Transportation			
Passed through the State of Connecticut			
Department of Transportation:			
Safety Belt Performance Grants	20.609	12062-DOT57343-20559	39,524
Highway Planning and Construction	20.205	12062-DOT57141-22108	1,290,092
Distracted Driving Enforcement	20.614	12062-DOT57343-22394	<u>63,567</u>
			<u>1,393,183</u>
Total Federal Awards Expended			<u>\$ 155,357,693</u>

N/A = Not Available
See Notes to Schedule.

CITY OF HARTFORD, CONNECTICUT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2011

Note 1. Basis of Presentation.

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Hartford, Connecticut and is presented on the modified accrual basis of accounting for grants which are accounted for in the governmental fund types and on the accrual basis of accounting for grants which are accounted for in the propriety fund types. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Non-Cash Awards

U.S.D.A. Contributions – Non-cash

The United States Department of Agriculture makes available commodities for donations to schools. The amount of \$454,376 represents the market value of such commodities used during the period. This amount is included with the Child Nutrition Cluster.

WIC Food Payments - Noncash

The United States Department of Agriculture makes noncash distributions of food vouchers for WIC. The amount of \$5,510,988 represents the market value of such vouchers used during this period.

Note 3. Housing and Urban Development (HUD) Section 108 Loans

The City has entered into three Federal HUD Section 108 loans.

	June 30, 2010	Issued	Retired	June 30, 2011
Burgdorf/Fleet Health Center	\$ 1,245,000	\$ -	\$ 140,000	\$ 1,105,000
Front Street	5,000,000	-	164,000	4,836,000
Hartford Hilton	-	7,000,000	-	7,000,000
Total Section 108 Loans	<u>\$ 6,245,000</u>	<u>\$ 7,000,000</u>	<u>\$ 304,000</u>	<u>\$ 12,941,000</u>

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unqualified

Internal Control over Financial Reporting

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? X Yes _____ None reported
- Noncompliance material to financial statements? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ Yes X No
- Significant deficiency(ies) identified? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: unqualified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? _____ Yes X No

Identification of Major Programs

CFDA Numbers	Name of Federal Program or Cluster
10.555/10.553/10.559	Child Nutrition Cluster
14.871	Section 8 Housing Choice Vouchers
84.010A/84.389A	Title I Programs Cluster
84.394A/84.397A	ARRA – Stabilization Cluster
84.377/84.388	School Improvement Grant Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between type A and type B programs \$ 4,660,731

Auditee qualified as low-risk auditee? _____ Yes X No

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the Year Ended June 30, 2011

II. FINANCIAL STATEMENT FINDINGS

SDIC11-1. Criteria:

The City's tax office should have proper policies in place to prepare a monthly or quarterly tax collector's report to reconcile to the general ledger.

Condition:

There is no tax collector's report that is prepared during the fiscal year. In addition, there is no monthly process to reconcile between tax and general ledger accounts. The reports are all done at year-end.

Context:

Systemic in nature.

Cause:

During fiscal year 2009, the City converted to the new MUNIS general ledger system which was integrated with the existing MUNIS tax system during the year. Reconciliation policies and procedures have not been fully implemented.

Recommendation:

Policies and procedures should be adhered to that will provide guidance on the standard reports and reconciliations that should be prepared monthly and annually. For instance, a tax collectors report should be prepared monthly which would then assist in the reconciliation between the tax system, and the general ledger on a monthly basis. This will allow the City to find inconsistencies as they occur and address them timely.

SDIC11-2. Criteria:

The Board of Education should have proper policies in place to prepare and reconcile encumbrances.

Condition:

Encumbrances on the MUNIS system for the Board of Education did not reconcile to the proper supporting documentation. This resulted in substantial and time consuming reconciliation process.

Context:

Systemic in nature.

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS, Continued
For the Year Ended June 30, 2011

Cause:

Purchase orders were entered into MUNIS incorrectly which resulted in encumbrances being improperly reported.

Recommendation:

Policies and procedures should be put in place to reconcile the Board of Education encumbrances to the MUNIS system on a more frequent basis. This will allow the Board of Education to find inconsistencies as they occur and address them timely.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

**CITY OF HARTFORD, CONNECTICUT
SUMMARY OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2011**

Finding SDIC10-1

Audit Finding:

There is no tax collector's report that is prepared during the fiscal year. In addition, there is no monthly process to reconcile between tax and general ledger accounts. The reports are all done at year-end.

Corrective Action Taken:

Finding repeated in current year.

Finding SDIC10-2

Audit Finding:

It was noted that there are no formal policies and procedures for Student Activity funds, in relation to the use of funds, documentation of collections, the approval process and the timely completion of bank reconciliations.

Corrective Action Taken:

Formal policies were implemented; finding is not repeated in the current year.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members
of the Court of Common Council
City of Hartford, Connecticut

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Hartford, Connecticut, as of and for the year ended June 30, 2011, which collectively comprise the City of Hartford, Connecticut's basic financial statements, and have issued our report thereon dated January 3, 2012. Our report includes a modification related to the adoption of a new accounting standard. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting: Management of the City of Hartford, Connecticut is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Hartford, Connecticut's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hartford, Connecticut's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Hartford, Connecticut's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting (Items SDIC11-1 and SDIC11-2). A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters: As part of obtaining reasonable assurance about whether the City of Hartford, Connecticut's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we reported to the management of the City of Hartford, Connecticut in a separate letter dated January 3, 2012.

This report is intended solely for the information and use of the management, the Mayor and Members of the Court of Common Council, the Board of Education and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

New Haven, Connecticut
January 3, 2012

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM, ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH THE STATE SINGLE AUDIT ACT AND ON
THE SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

To the Honorable Mayor and Members
of the Court of Common Council
City of Hartford, Connecticut

Compliance: We have audited the City of Hartford, Connecticut's compliance with the types of compliance requirements described in the *Office of Policy and Management's Compliance Supplement* that could have a direct and material effect on each of the City of Hartford, Connecticut's major state programs for the year ended June 30, 2011. The City of Hartford, Connecticut's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state programs is the responsibility of the City of Hartford, Connecticut's management. Our responsibility is to express an opinion on the City of Hartford, Connecticut's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the State Single Audit Act (C.G.S. Sections 4-230 to 4-236). Those standards and the State Single Audit Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Hartford, Connecticut's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Hartford, Connecticut's compliance with those requirements.

In our opinion, the City of Hartford, Connecticut complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2011.

Internal Control Over Compliance: Management of the City of Hartford, Connecticut is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to state programs. In planning and performing our audit, we considered the City of Hartford, Connecticut's internal control over compliance with requirements that could have a direct and material effect on a major state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the State Single Audit Act, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Hartford, Connecticut's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of State Financial Assistance: We have audited the financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hartford, Connecticut as of and for the year ended June 30, 2011, and have issued our report thereon dated January 3, 2012. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Hartford, Connecticut's basic financial statements taken as a whole. The accompanying schedule of expenditures of state financial assistance is presented for purposes of additional analysis as required by the State Single Audit Act and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the management, the Mayor and Members of the Court of Common Council, the Board of Education of the City of Hartford, Connecticut, the Office of Policy and Management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

McGladrey & Pullen, LLP

New Haven, Connecticut
January 3, 2012

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2011

State Grantor/Pass-Through Grantor/Program Title	State Grant Program CORE-CT Number	Expenditures
OFFICE OF POLICY AND MANAGEMENT:		
Property Tax Disability Exemption	11000-OPM20600-17011	\$ 9,532
Property Tax Relief on Exempt Property of Manufacturing Facilities in Distressed Municipalities	11000-OPM20600-17016	281,168
Property Tax Relief for Elderly and Totally Disabled Homeowners	11000-OPM20600-17018	323,497
Property Tax Relief for Elderly Homeowners - Freeze Program	11000-OPM20600-17021	3,983
Property Tax Relief for Veterans	11000-OPM20600-17024	54,593
Property Tax Relief for Manufacturing, Machinery, Equipment and Commercial Vehicles	11000-OPM20600-17031	1,083,328
Local Capital Improvement Program	12050-OPM20600-40254	749,194
Municipal Video Competition	12060-OPM20600-35362	9,121
Town of Hartford JAG (ARRA)		65,644
PILOT on State Owned Property	11000-OSC15910-17004	12,356,406
Payment in Lieu of Taxes (PILOT) on Private Colleges and General/Chronic Disease Hospitals	11000-OSC15910-17006	25,661,374
Total Office of Policy and Management		<u>40,597,840</u>
DEPARTMENT OF CULTURAL AFFAIRS:		
National Endowment for the Art	12060-CAT45220-20328	5,700
Basic Cultural Resource Grant	11000-CAT45220-17067	2,000
Total Department of Cultural Affairs		<u>7,700</u>
DEPARTMENT OF EDUCATION:		
Child Nutrition Program-State Match	11000-SDE64000-16211	145,422
Family Resource Center	11000-SDE64000-16110	464,503
Adult Education	11000-SDE64000-17030	1,937,553
Health Services	11000-SDE64000-17034	60,722
Bilingual Education	11000-SDE64000-17042	299,030
Priority School Districts	11000-SDE64000-17043-82052	6,298,095
Extended School Hours	11000-SDE64000-17043-82054	411,300
Summer School Accountability Grant	11000-SDE64000-17043-82055	451,721
Interdistrict Cooperative Grant	11000-SDE64000-17045	307,669
Youth Services Bureau	11000-SDE64000-17052	158,237
Youth Services Bureau-Enhancement	11000-SDE64370-16201	10,000
Open Choice	11000-SDE64000-17053	33,026
Magnet Schools	11000-SDE64000-17057	35,651,280
School Readiness Quality Enhancement	12060-SDE64000-90242	1,246,694
Sheff Settlement	11000-SDE64370-12457	220,303
Healthy Food Grant	11000-SDE64370-16212	316,935
Magnet School Transportation	11000-SDE64370-17057-82061	175,384
After School Program	11000-SDE64000-17084	133,500
School Readiness	11000-SDE64000-17043-82056	10,916,838
SERC Parent Leadership	9530-2010	21,920
Readiness Centers	12052-SDE64000-42861	334,787
Total Department of Education		<u>59,594,919</u>
DEPARTMENT OF TRANSPORTATION:		
Town Aid Road Grants	12001-DOT57000-17036	611,143
Bus Operations	12001-DOT57000-12175	73,706
Comprehensive DUI Enforcement	190-0730AV, 0191-0722AZ	134,343
Total Department of Transportation		<u>819,192</u>

(Continued)

N/A= Not Available
See Notes to Schedule.

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE, Continued
 For the Year Ended June 30, 2011

State Grantor/Pass-Through Grantor/Program Title	State Grant Program CORE-CT Number	Expenditures
EDUCATION AND SERVICES FOR THE BLIND:		
Services for the Blind	11000-ESB65020-12060	256,528
OFFICE OF THE STATE COMPTROLLER:		
Boat Grant	12027-OSC15910-40211	10,333
JUDICIAL DEPARTMENT:		
Non-Budgeted Operating Appropriation	34001-JUD95162-40001	78,820
Local Prevention Grant	1000-JUD96114-12105	7,130
		<u>85,950</u>
CONNECTICUT STATE LIBRARY:		
Historic Documents Preservation Grant	12060-CSL66094-35150	9,000
DEPARTMENT OF SOCIAL SERVICES:		
Nurturing Families Network 1/1/10-12/31/10	11000-DSS60406-12042	104,282
Nurturing Families Network 1/1/11-12/31/11	11000-DSS60406-12042	104,628
Emergency Shelter Grant McKinney 10/1/9-9/30/10	11000DSS60783-17038	167,408
Emergency Shelter Grant McKinney 10/1/10-9/30/11	11000DSS60783-17038	439,338
Healthy Start 7/1/09-6/30/10	11000-DSS60521-41002	1,953
Healthy Start 7/1/10-6/30/11	11000-DSS60521-41002	296,571
Total Department of Social Services		<u>1,114,180</u>
DEPARTMENT OF CHILDREN AND FAMILIES:		
DCF - Family Enrichment Services	110000-DCF91110-12304	26,906
Juvenile Justice Outreach Services	11000-DCF91110-16043	225,000
Total Department of Children and Families		<u>251,906</u>
DEPARTMENT OF REVENUE SERVICES		
Non-Budgeted Operating Appropriation	34004-DSR18307-40001	252,144
DEPARTMENT OF ENVIRONMENTAL PROTECTION:		
Local Flood and Erosion Project	12052-DEP43000-Various	3,881,904
Hyland Park Improvements	N/A	421,280
Total Department of Environmental Protection		<u>4,303,184</u>
DEPARTMENT OF PUBLIC HEALTH:		
Tuberculosis Control and Prevention	11000-DPH48666-16112	44,215
Women's Healthy Heart	12060-DPH48500-30445	20,000
Per capita 7/1/2009-6/30/2010	11000-DPH48500-17009	433
Per capita 7/1/2010-6/30/2011	11000-DPH48500-17009	147,748
Sexually Transmitted Disease Control	11000-DPH48500-17013	35,506
School-Based Health Clinics	11000-DPH48500-17019	795,151
Total Department of Public Health		<u>1,043,053</u>
DEPARTMENT OF PUBLIC SAFETY:		
State Assets Forfeiture Revolving Fund	12060-DPS32155-35142	350,846
Emergency Management Performance Grant	N/A	4,735
Public Safety Training Grant	N/A	9,153
911 Enhancement Grant	N/A	705,339
Total Department of Public Safety		<u>1,070,073</u>

(Continued)

N/A= Not Available
 See Notes to Schedule.

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE, Continued
 For the Year Ended June 30, 2011

State Grantor/Pass-Through Grantor/Program Title	State Grant Program CORE-CT Number	Expenditures
DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT:		
Tax Abatement Program	11000-ECD46400-17008	529,309
Payment in Lieu of Taxes (PILOT)	11000-ECD46400-17012-039	468,187
Swift Factory Brownfield's Project	12052-46000-43236	9,729
CCEDA II Home Ownership Appraisal GAP	12059-ECD46400-40577	397,276
TOTAL DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT		<u>1,404,501</u>
TOTAL STATE FINANCIAL ASSISTANCE BEFORE EXEMPT PROGRAMS		<u>110,820,503</u>
EXEMPT PROGRAMS		
DEPARTMENT OF EDUCATION:		
Department of Education Public School Transportation	11000-SDE64000-17027	1,648,591
Education Cost Sharing	11000-SDE64000-17041	160,712,082
Excess Cost - Student Based	11000-SDE64000-17047	8,296,406
Non-Public School Transportation	11000-SDE64000-17049	87,611
School Construction - Interest	13009-SDE64000-40896	638,747
School Construction - Progress Payment	13009-SDE64000-40901	23,619,974
School Construction - Principal		1,790,505
		<u>196,793,916</u>
OFFICE OF THE STATE COMPTROLLER:		
Mashantucket Pequot/Mohegan Fund	12009-OSC15910-17005	8,211,507
Total Exempt Programs		<u>205,005,423</u>
TOTAL STATE FINANCIAL ASSISTANCE		<u><u>\$ 315,825,926</u></u>

N/A= Not Available
 See Notes to Schedule.

CITY OF HARTFORD, CONNECTICUT

**NOTES TO SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2011**

Various departments and agencies of the State of Connecticut have provided financial assistance to the City of Hartford, Connecticut, through grants and other authorizations in accordance with the General Statutes of the State of Connecticut. The financial assistance programs fund several programs including education, economic and community development, environmental protection, library, health, public safety, social services, developmental services, emergency management and homeland security and transportation.

Note 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Hartford, Connecticut conform to accounting principles generally accepted in the United States of America as applicable to governments. The following is a summary of the more significant policies relating to the aforementioned grant programs.

Basis of Accounting

The financial statements for the governmental fund types contained in the City of Hartford's basic financial statements are prepared on the modified accrual basis of accounting. The financial statements for the business-type activities are prepared on the full accrual basis of accounting.

- Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period.
- Expenditures are generally recorded when a liability is incurred except for debt service expenditures, as well as expenditures related to compensated absences, pension obligations, claims and judgments, and other post-employment benefits which are recorded only when payment is due (matured).

The Schedule of Expenditures of State Financial Assistance, contained in this report, is also prepared on regulations established by the State of Connecticut Office of Policy and Management. In accordance with these regulations (Section 4-236-22), certain grants are not dependent on expenditure activity, and accordingly, are considered to be expended in the fiscal year of receipt. These grant program receipts are reflected as awards in the expenditures column of the Schedule of Expenditures of State Financial Assistance.

Note 2. LOAN PROGRAMS

In accordance with Section 426-23(a)4(f) of the regulations to the State Single Audit Act, the notes to the Expenditures of State Financial Assistance shall include loans and loan activities. The following is a summary of the various loan program activity for the year ended June 30, 2011:

Department of Environmental Protection

Clean Water Funds 21014-OTT4230-4001

Balance July 1, 2010	Issued	Retired	Balance June 30, 2011
\$ 1,665,000	\$ -	\$ 85,000	\$ 1,580,000

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF STATE SINGLE AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2011

I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: unqualified.

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None reported

Noncompliance material to financial statements noted?

 Yes X No

State Financial Assistance

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major programs: unqualified.

- Any audit findings disclosed that are required to be reported in accordance with Section 4-236-24 of the Regulations to the State Single Audit Act? Yes X No

The following schedule reflects the major programs included in the audit:

State Grantor and Program	State CORE-CT Number	Expenditures
Department of Education		
Magnet School-Operating	11000-SDE64370-17057	\$ 35,651,280
School Readiness	11000-SDE64000-17043-82056	10,916,838
Office of the State Comptroller		
PILOT on State Owned Property	11000-OSC15910-17004	12,356,406
Payment in Lieu of Taxes (PILOT) on Private and General/Chronic Disease Hospitals	11000-OSC15910-17006	25,661,374
Department of Environmental Protection		
Local Flood and Erosion Project	12052-DEP43000-Various	3,881,904
• Dollar threshold used to distinguish between type A and type B programs		<u>\$ 2,211,000</u>

CITY OF HARTFORD, CONNECTICUT

SCHEDULE OF STATE SINGLE AUDIT FINDINGS AND QUESTIONED COSTS, Continued
For the Year Ended June 30, 2011

II. FINANCIAL STATEMENT FINDINGS

- We issued reports, dated January 3, 2012, on internal control over financial reporting and compliance and other matters based on an audit of basic financial statements performed in accordance with the standards applicable to financial audits contained in "Government Auditing Standards."
- Our report on compliance indicated no reportable instances of noncompliance.
- Our report on internal control over financial reporting indicated no matters that we consider to be material weaknesses and two matters that we consider to be significant deficiencies.

III. STATE FINANCIAL ASSISTANCE FINDINGS AND QUESTIONED COSTS

No matters were reported.